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INDEPENDENT AUDITORS' REPORT

Kentucky State Committee for School District Audits
Hickman County Board of Education
Clinton, Kentucky

We have audited the accompanying general purpose financial statements of the Hickman County School District as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed assets account group which should be included to conform with accounting principles generally accepted in the United States of America. The amounts that should be recorded as assets are not readily available.

In our opinion, except for the effects of the omissions discussed in the preceding paragraph and such adjustments, if any, as might have been determined to be necessary had we been able to identify amounts that should be recorded as general fixed assets, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Hickman County School District as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2003, on our consideration of Hickman County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Hickman County School District. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*, and is also not a required part of the general purpose financial statements of the Hickman County School District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended for the information of management and the Kentucky Department of Education. However, this report is a matter of public record and its distribution is not limited.

August 8, 2003

COMBINED FINANCIAL STATEMENTS

HICKMAN COUNTY SCHOOL DISTRICT
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003

	GOVERNMENTAL FUND TYPES			
	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	CAPITAL PROJECTS FUNDS	DEBT SERVICE FUNDS
ASSETS AND RESOURCES				
Cash and cash equivalents - Notes 1 and 3	\$677,660	\$ (58,271)	\$107,275	\$ -
Investments - Note 4				100,000
Receivables				
Accounts	18,358			
Intergovernmental - Federal		156,809		
Intergovernmental - State				
Inventories - Note 1				
Capital assets - Note 5				
Accumulated depreciation - Note 5				
Amounts to be provided for accumulated sick leave - Note 7				
Amounts to be provided for retirement of General Long-Term Obligations - Note 6				
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS AND RESOURCES	<u>\$696,018</u>	<u>\$ 98,538</u>	<u>\$107,275</u>	<u>\$100,000</u>
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts payable	\$ 21,321	\$ 25,688	\$ 2,650	\$ -
Deferred revenue - Note 1		72,850		
Obligation under capital leases - Note 6				
Obligation for eligible employees' accumulated sick leave - Note 7				
Obligation for future accumulated sick leave - Note 7				
Total Liabilities	<u>21,321</u>	<u>98,538</u>	<u>2,650</u>	<u>-</u>
Fund Equity				
Retained Earnings				
Reserved for inventory/fixed assets				
Unreserved				
Fund Balance				
Reserved for encumbrances - Notes 1 and 14	52,212	11,752		
Reserved for construction			2,079	
Reserved for accumulated sick leave - Note 7	34,097			
Reserved for debt service				100,000
Unreserved	<u>588,388</u>	<u>(11,752)</u>	<u>102,546</u>	
Total Fund Equity	<u>674,697</u>	<u>-</u>	<u>104,625</u>	<u>100,000</u>
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$696,018</u>	<u>\$ 98,538</u>	<u>\$107,275</u>	<u>\$100,000</u>

See Accompanying Notes

<u>PROPRIETARY FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	<u>ACCOUNT GROUP</u>	
<u>ENTERPRISE (FOOD SERVICE) FUND</u>	<u>EXPENDABLE TRUST FUNDS</u>	<u>GENERAL LONG-TERM OBLIGATIONS</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
\$ (16,261)	\$ 79,163	\$ -	\$ 789,566 100,000
			18,358 156,809
13,612 154,174 (145,088)			13,612 154,174 (145,088)
		231,193	231,193
<u> </u>	<u> </u>	<u>5,162,725</u>	<u>5,162,725</u>
\$ <u>6,437</u>	\$ <u>79,163</u>	<u>\$5,393,918</u>	<u>\$6,481,349</u>
\$ -	\$ -	\$ -	\$ 49,659 72,850
		5,162,725	5,162,725
		68,193	68,193
<u> </u>	<u> </u>	<u>163,000</u>	<u>163,000</u>
<u>-</u>	<u>-</u>	<u>5,393,918</u>	<u>5,516,427</u>
22,698 (16,261)			22,698 (16,261)
			63,964 2,079
			34,097 100,000
<u>6,437</u>	<u>79,163</u> <u>79,163</u>	<u>-</u>	<u>758,345</u> <u>964,922</u>
\$ <u>6,437</u>	\$ <u>79,163</u>	<u>\$5,393,918</u>	<u>\$6,481,349</u>

HICKMAN COUNTY SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
YEAR ENDED JUNE 30, 2003

	<u>GOVERNMENTAL FUND TYPE</u>				<u>FIDUCIARY FUND TYPE</u>	
	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE (GRANT) FUNDS</u>	<u>CAPITAL PROJECTS FUNDS</u>	<u>DEBT SERVICE FUNDS</u>	<u>EXPENDABLE TRUST FUNDS</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
REVENUES						
From local sources						
Taxes						
Property - Note 1	\$ 601,283	\$ -	\$ 76,997	\$ -	\$ -	\$ 678,280
Motor vehicle - Note 1	138,688		20,651			159,339
Utilities	236,560					236,560
Other	90,862					90,862
Earnings on investments	17,758	12	500			18,270
Student activities					268,803	268,803
Community service activities		5,389				5,389
Other local revenues	35,024	29				35,053
Intergovernmental - State	3,376,520	317,552	170,069	145,503		4,009,644
Intergovernmental - Direct Federal		680,080				680,080
Intergovernmental - Indirect Federal		490,514				490,514
Total Revenues	<u>4,496,695</u>	<u>1,493,576</u>	<u>268,217</u>	<u>145,503</u>	<u>268,803</u>	<u>6,672,794</u>
EXPENDITURES						
Current						
Instruction	2,468,481	1,340,560				3,809,041
Support Services						
Student	201,122	15,738			253,143	470,003
Instructional staff	111,966	139				112,105
District administration	264,723	54,015				318,738
School administration	247,871					247,871
Business	101,380					101,380
Plant operations and management	524,114	11,803				535,917
Student transportation	354,183	21,186				375,369
Facilities acquisition and construction			335,569			335,569
Other		79,858				79,858
Total Expenditures	<u>4,273,840</u>	<u>1,523,299</u>	<u>335,569</u>	<u>-</u>	<u>253,143</u>	<u>6,385,851</u>
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	<u>222,855</u>	<u>(29,723)</u>	<u>(67,352)</u>	<u>145,503</u>	<u>15,660</u>	<u>286,943</u>
OTHER FINANCING SOURCES (USES)						
Payment of bond principal				(190,000)		(190,000)
Payment of bond interest				(175,370)		(175,370)
Operating transfers in - Note 15		19,220		319,867		339,087
Operating transfers out - Note 15	(19,220)		(319,867)			(339,087)
Proceeds from bond sales			455,000	425,000		880,000
Payment to bond escrow agent				(413,306)		(413,306)
Refunding bond discount				(11,694)		(11,694)
Bond sale expense			(21,000)			(21,000)
Compensation for loss of assets		10,503				10,503
Total Other Financing		<u>10,503</u>				<u>10,503</u>
Sources (Uses)	<u>(19,220)</u>	<u>29,723</u>	<u>114,133</u>	<u>(45,503)</u>	<u>-</u>	<u>79,133</u>
Excess of Revenues and Other						
Financing Sources Over Expenditures						
and Other Financing Uses - Note 16	203,635	-	46,781	100,000	15,660	366,076
Fund Balance July 1, 2002	<u>471,062</u>	<u>-</u>	<u>57,844</u>	<u>-</u>	<u>63,503</u>	<u>592,409</u>
Fund Balance June 30, 2003	<u>\$ 674,697</u>	<u>\$ -</u>	<u>\$ 104,625</u>	<u>\$ 100,000</u>	<u>\$ 79,163</u>	<u>\$ 958,485</u>

See Accompanying Notes

HICKMAN COUNTY SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
YEAR ENDED JUNE 30, 2003

	Enterprise (Food Service) Fund
OPERATING REVENUES	
Lunchroom sales	\$ 164,030
Total Operating Revenues	<u>164,030</u>
OPERATING EXPENSES	
Salaries and wages	193,500
Contract services	9,732
Materials and supplies	154,276
Depreciation - Note 5	4,111
Other operating expenses	<u>834</u>
Total Operating Expenses	<u>362,453</u>
Operating Loss	<u>(198,423)</u>
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	193,449
Donated commodities	17,999
Commodities used	(17,999)
State grants	5,398
Interest income	<u>24</u>
Total Non-Operating Revenues (Expenses)	<u>198,871</u>
Net Income	448
Retained Earnings July 1, 2002	<u>5,989</u>
Retained Earnings June 30, 2003	<u>\$ 6,437</u>

See Accompanying Notes

**HICKMAN COUNTY SCHOOL DISTRICT
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
YEAR ENDED JUNE 30, 2003**

	Enterprise (Food Service) Fund
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income	\$ 448
Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation	4,111
Increase in inventory	<u>(4,250)</u>
Net Cash Provided by Operating Activities	<u>309</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of fixed assets	<u>(1,238)</u>
Net Cash Used by Investing Activities	<u>(1,238)</u>
Net Decrease in Cash and Cash Equivalents	(929)
Cash and Cash Equivalents July 1, 2002	<u>(15,332)</u>
Cash and Cash Equivalents June 30, 2003	<u>\$(16,261)</u>

See Accompanying Notes

HICKMAN COUNTY SCHOOL DISTRICT
COMPARISON OF REVENUES AND EXPENDITURES TO BUDGET
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2003

	GENERAL FUND			SPECIAL REVENUE FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES						
From local sources						
Taxes						
Property - Note 1	\$ 535,000	\$ 601,283	\$ 66,283	\$ -	\$ -	\$ -
Motor vehicle - Note 1	120,000	138,688	18,688			
Utilities	200,000	236,560	36,560			
Other	70,000	90,862	20,862			
Earnings on investments	20,000	17,758	(2,242)	505	12	(493)
Community service activities				7,136	5,389	(1,747)
Other local revenues	14,000	35,024	21,024	29	29	-
Intergovernmental - State	2,657,764	3,376,520	718,756	381,939	317,552	(64,387)
Intergovernmental - Direct Federal		881,362	680,080	(201,282)		
Intergovernmental - Indirect Federal				525,550	490,514	(35,036)
Total Revenues	<u>3,616,764</u>	<u>4,496,695</u>	<u>879,931</u>	<u>1,796,521</u>	<u>1,493,576</u>	<u>(302,945)</u>
EXPENDITURES						
Current						
Instruction	1,980,024	2,468,481	(488,457)	1,633,028	1,340,560	292,468
Support Services						
Student	165,853	201,122	(35,269)	22,964	15,738	7,226
Instructional staff	98,180	111,966	(13,786)	-	139	(139)
District administration	666,015	264,723	401,292	62,954	54,015	8,939
School administration	198,150	247,871	(49,721)			
Business	79,530	101,380	(21,850)			
Plant operations and management	535,931	524,114	11,817	(32,200)	11,803	(44,003)
Student transportation	325,185	354,183	(28,998)	15,680	21,186	(5,506)
Facilities acquisition and construction						
Other				79,590	79,858	(268)
Total Expenditures	<u>4,048,868</u>	<u>4,273,840</u>	<u>(224,972)</u>	<u>1,782,016</u>	<u>1,523,299</u>	<u>258,717</u>
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	<u>(432,104)</u>	<u>222,855</u>	<u>654,959</u>	<u>14,505</u>	<u>(29,723)</u>	<u>(44,228)</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in - Note 15				32,015	19,220	(12,795)
Operating transfers out - Note 15	(16,860)	(19,220)	(2,360)			
Proceeds from bond sale						
Bond sale expense						
Compensation for loss of assets				(46,520)	10,503	57,023
Total Other Financing						
Sources (Uses)	<u>(16,860)</u>	<u>(19,220)</u>	<u>(2,360)</u>	<u>(14,505)</u>	<u>29,723</u>	<u>44,228</u>
Excess (Deficiency) of Revenues and Other						
Financing Sources Expenditures and						
Other Financing Uses - Note 16	(448,964)	203,635	652,599	-	-	-
Fund Balance July 1, 2002	<u>448,964</u>	<u>471,062</u>	<u>22,098</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance June 30, 2003	<u>\$ -</u>	<u>\$ 674,697</u>	<u>\$ 674,697</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes

CAPITAL PROJECTS FUNDS			TOTALS (MEMORANDUM ONLY)		
<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
\$ 81,512	\$ 76,997	\$ (4,515)	\$ 616,512	\$ 678,280	\$ 61,768
16,136	20,651	4,515	136,136	159,339	23,203
			200,000	236,560	36,560
			70,000	90,862	20,862
-	500	500	20,505	18,270	(2,235)
			7,136	5,389	(1,747)
			14,029	35,053	21,024
165,632	170,069	4,437	3,205,335	3,864,141	658,806
			881,362	680,080	(201,282)
			<u>525,550</u>	<u>490,514</u>	<u>(35,036)</u>
<u>263,280</u>	<u>268,217</u>	<u>4,937</u>	<u>5,676,565</u>	<u>6,258,488</u>	<u>581,923</u>
			3,613,052	3,809,041	(195,989)
			188,817	216,860	(28,043)
			98,180	112,105	(13,925)
			728,969	318,738	410,231
			198,150	247,871	(49,721)
			79,530	101,380	(21,850)
			503,731	535,917	(32,186)
			340,865	375,369	(34,504)
70,580	335,569	(264,989)	70,580	335,569	(264,989)
			<u>79,590</u>	<u>79,858</u>	<u>(268)</u>
<u>70,580</u>	<u>335,569</u>	<u>(264,989)</u>	<u>5,901,464</u>	<u>6,132,708</u>	<u>(231,244)</u>
<u>192,700</u>	<u>(67,352)</u>	<u>(260,052)</u>	<u>(224,899)</u>	<u>125,780</u>	<u>350,679</u>
(219,867)	(319,867)	(100,000)	32,015	19,220	(12,795)
	455,000	455,000	(236,727)	(339,087)	(102,360)
	(21,000)	(21,000)	-	455,000	455,000
				(21,000)	(21,000)
			<u>(46,520)</u>	<u>10,503</u>	<u>57,023</u>
<u>(219,867)</u>	<u>114,133</u>	<u>334,000</u>	<u>(251,232)</u>	<u>124,636</u>	<u>375,868</u>
(27,167)	46,781	73,948	(476,131)	250,416	726,547
<u>107,320</u>	<u>57,844</u>	<u>(49,476)</u>	<u>556,284</u>	<u>528,906</u>	<u>(27,378)</u>
\$ <u>80,153</u>	\$ <u>104,625</u>	\$ <u>24,472</u>	\$ <u>80,153</u>	\$ <u>779,322</u>	\$ <u>699,169</u>

HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Hickman County School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

Reporting Entity

The Hickman County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Hickman County School District (District). The Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Hickman County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Boosters, Parent-Teacher Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Hickman County School District Finance Corporation - On June 3, 1992, the Hickman County, Kentucky, Board of Education resolved to authorize the establishment of the Hickman County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Hickman County Board of Education also comprise the Corporation's Board of Directors.

Fund Accounting

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts which stands separate from the activities reported in other funds. A description along with the restrictions associated with each class of funds are as follows:

HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Governmental Fund Types

- a. The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unreserved fund balances are considered as resources available for use.
- b. The Special Revenue Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. They include federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report.
- c. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by proprietary funds).
 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan. (See reference to Program Review 96-DFIN-157.)
 2. The Facility Support Program of Kentucky Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

II. Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

III. Proprietary Fund Type (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA).

HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IV. Fiduciary Fund Type (includes agency and trust funds)

The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Uniform Program of Accounting for School Activity Funds*.

V. Account Groups

a. General Long-Term Obligations Account Group

To make a clear distinction between long-term liabilities related to specific funds and those of a general nature, the General Long-Term Obligations Account Group is used. This group of accounts is established to account for all long-term obligations of the District, including bonded debt and lease obligations, except those accounted for in proprietary funds and trust funds.

b. General Fixed Assets Account Group

The general fixed assets are recorded as expenditures of the fund from which the disbursement is made, except for the Proprietary Fund. The District does not maintain a record of the cost of its property and equipment, therefore, no group of accounts is maintained. Note 5 provides a summary of depreciable assets included in the Proprietary Fund.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. Property taxes are levied on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes become delinquent after December 31.

Property tax revenues and other governmental fund financial resource increments (i.e., bond issue proceeds) are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period.

The property tax rates for the year ended June 30, 2003 to finance General Fund operations were \$.401 per \$100 valuation for real property and business tangible personal property, and \$.547 per \$100 valuation for motor vehicles.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Property taxes levied to finance fiscal year 2003 are recorded when there is an enforceable legal claim and when the revenue is measurable and available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, and, matching requirements, in which the District must provide local resources to be used for a specified purpose. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The records of the District are maintained and the budgetary process is based on the modified accrual basis of accounting. This practice is the accounting method prescribed by the Committee for School District Audits.

For financial purposes, the accounting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance.

The Proprietary Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in retained earnings.

Adjustments have been made to properly present the financial statements of the governmental fund types on the modified accrual basis of accounting. On this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid. The Proprietary Fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances at year end are reappropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year end is provided for at June 30, 2003. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

Inventories of the proprietary fund are recorded at cost using the first-in, first-out method. Inventories are expensed when purchased by the governmental fund types.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Total Columns

Total columns on the financial statements are indicated as "Memorandum Only", as data in these columns do not present financial positions, results of operations or changes in fund balance in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 - CASH AND CASH EQUIVALENTS

At year end, the carrying amount of the District's cash and cash equivalents was \$789,566. Of the total cash balance, \$180,982 was covered by Federal depository insurance, with the remainder covered by a collateral agreement and collateral held by the pledging banks' trust departments in the District's name.

Cash and cash equivalents at June 30, 2003 consisted of the following:

	<u>Bank</u> <u>Balance</u>	<u>Book</u> <u>Balance</u>
Clinton Bank	\$ 85,118	\$ 80,982
First Community Bank	<u>1,192,537</u>	<u>708,584</u>
	<u>\$1,277,655</u>	<u>\$789,566</u>

HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

NOTE 4 - INVESTMENTS

The District sold a \$455,000 Qualified Zone Academy Bond (QZAB) on June 10, 2003 for the purpose of financing the cost of renovations to the high school gym. On the delivery date an initial cash payment in the amount of \$100,000 was required to be deposited in a Prefunded Escrow Account at Fifth Third Bank in Cincinnati, Ohio. This prepayment and the annual bond payments will be deposited in this escrow account, which should earn an amount sufficient to retire the \$455,000 bond principal due on June 10, 2018.

NOTE 5 - CAPITAL ASSETS - PROPRIETARY FUND

A summary of the Proprietary Fund capital assets at June 30, 2003, follows:

Furniture and Equipment	\$ 154,174
Less: Accumulated Depreciation	<u>(145,088)</u>
Net Capital Assets	<u>\$ 9,086</u>

Depreciation has been provided over the estimated useful lives of 4 to 12 years using the straight-line method of depreciation.

NOTE 6 - BONDED DEBT AND LEASE OBLIGATIONS

The original amount of each issue, the issue dates, interest rates, and maturity dates are summarized below:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>
1996	\$ 170,000	5.15% - 5.75%	2017
1997	\$2,725,000	3.90% - 5.00%	2017
1998	\$ 920,000	4.00% - 4.75%	2018
2003	\$ 425,000	1.75% - 2.75%	2015
2003 (QZAB)	\$ 455,000	5.00% - 5.06%	2018

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Hickman County Fiscal Court and the City of Clinton, Kentucky to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1989, the District entered into "participation agreements" with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs.

HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

NOTE 6 - BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

Changes in the bonded debt and lease obligations during the year are as follows:

<u>Issue</u>	<u>Balance at July 1, 2002</u>	<u>New Issues</u>	<u>Retirements</u>	<u>Balance at June 30, 2003</u>
1994-A	\$ 300,000	\$ -	\$(300,000)	\$ -
1994-B	110,000	-	(110,000)	-
1996	145,000	-	(5,000)	140,000
1997	2,370,000	-	(100,000)	2,270,000
1998	680,000	-	(60,000)	620,000
2003	-	425,000	-	425,000
2003 (QZAB)	-	455,000	-	455,000
	<u>\$3,605,000</u>	<u>\$880,000</u>	<u>\$(575,000)</u>	<u>\$3,910,000</u>

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2003 for debt service (principal and interest) are as follows:

<u>YEAR</u>	<u>HICKMAN COUNTY SCHOOL DISTRICT</u>		<u>KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION</u>		<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2004	\$ 129,559	\$105,483	\$ 100,880	\$ 45,151	\$ 381,073
2005	137,805	101,614	102,634	42,867	384,920
2006	148,850	96,449	106,589	38,912	390,800
2007	144,702	91,020	110,737	34,764	381,223
2008	155,391	85,523	115,048	30,453	386,415
2009	160,758	79,626	119,681	25,820	385,885
2010	162,240	73,396	63,199	20,858	319,693
2011	174,378	66,886	61,061	18,427	320,752
2012	181,871	59,773	63,568	15,921	321,133
2013	188,758	52,196	66,681	13,229	320,864
2014	175,920	44,101	69,080	10,380	299,481
2015	182,395	35,364	52,605	7,712	278,076
2016	194,576	25,939	45,424	5,330	271,269
2017	204,512	15,959	45,488	2,997	268,956
2018	415,473	5,470	30,137	1,105	452,185
	<u>\$2,757,188</u>	<u>\$938,799</u>	<u>\$1,152,812</u>	<u>\$313,926</u>	<u>\$5,162,725</u>

The District completed an advanced refunding of the 1994-A and 1994-B bond issues, which were retired by the 2003 refunding issue. The total future debt service of the refunding issues is \$53,384 less than that of the bond issues that were refunded. The net present value of the future savings is \$42,982.

HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

NOTE 7 - ACCUMULATED UNPAID SICK LEAVE BENEFITS

Certified employees of the District are entitled to payment of 20% of the value of accumulated sick and personal days upon retirement. The total amount of accrued benefits for employees with 27 or more years of service at June 30, 2003, is \$68,193, which is recorded in the General Long-Term Obligations Account Group. Kentucky Revised Statutes allows the District to reserve up to 50% of these benefits. Accordingly, \$34,097 is a General Fund Balance reservation at the balance sheet date. The District recognizes the expense of these benefits when payment is made to a retiring employee.

Based upon the number of accumulated sick and personal days of employees who have less than 27 years of service at June 30, 2003, the District's future obligation is estimated to be approximately \$163,000, which is recorded in the General Long-Term Obligation Account Group. The vesting method is used to estimate this future obligation.

NOTE 8 - RETIREMENT PLANS

The District contributes to the Teachers' Retirement System of Kentucky (KTRS) and the County Employees' Retirement System (CERS). These are cost-sharing, multiple employer defined benefit plans. KTRS administers retirement and disability annuities, and death and survivor benefits to certified employees and beneficiaries of the public school systems and other public educational agencies in Kentucky. CERS administers similar programs for its employees and beneficiaries of county governmental entities, which includes classified employees of the District.

Contribution rates for both plans are determined by the legislature. KTRS members are required to contribute 9.855% of the salaries to KTRS and the Commonwealth of Kentucky is required to contribute 13.105% of salaries. The federal program for any salaries paid by that program pays the matching contribution. CERS members are required to contribute 5% of their salaries to CERS and the District is required to contribute 6.34% of salaries.

KTRS issues a publicly available financial report that can be obtained by writing the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601. CERS issues a publicly available financial report that can be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Perimeter Park West, Frankfort, KY 40601.

The District's total payroll for the year was \$4,036,416. The payroll for employees covered under KTRS was \$2,776,175 and for CERS was \$878,692.

The contribution requirement for CERS for the year ended June 30, 2003 was \$99,644, which consisted of \$55,709 from the District and \$43,935 from the employees. The District has a contribution requirement to KTRS of \$36,018 for certified personnel of federal programs.

HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

NOTE 8 - RETIREMENT PLANS (CONTINUED)

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following table presents certain information regarding the plan's status as a whole, derived from actuarial valuations performed as of the dates indicated:

	KTRS <u>June 30, 2002</u>	CERS <u>June 30, 2002</u>
Assets available for benefits, at fair value	\$13,588,800,000	\$ 6,883,300,000
Pension benefit obligation	<u>15,695,600,000</u>	<u>5,492,600,000</u>
(Underfunded) pension benefit obligations	<u>\$(2,106,800,000)</u>	<u>\$(1,390,700,000)</u>

As the Board is only one of several employers participating in the plan, it is not practicable to determine the Board's portion of the unfunded past service cost or the vested benefits of the Board's portion of the plan assets.

NOTE 9 - CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantors may request a refund of cash advances, or refuse to reimburse the District for its disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

The Board (Lessor) entered into a lease agreement with the Murray Board of Education Head Start Program (Lessee), effective August 1, 1993, for a period of one year. The lease provides 29 one-year renewal options at a total amount of \$84,541 in rental payments to be received by the Hickman County Board of Education. The Lessor received an advance lease payment of the entire \$84,541. These advance lease payments were used for improvement of the Lessor's physical facilities and, in the event the Lessor elects to withdraw from the agreement during its term or any extensions thereof, the Lessor will reimburse the Lessee on a prorated basis.

NOTE 10 - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes worker's compensation insurance.

NOTE 11 - LITIGATION

Counsel has stated there is no pending or threatened litigation as of June 30, 2003.

HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2003

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 13 - COBRA

The District has notified all terminated employees of available continuing insurance coverage as mandated under COBRA.

NOTE 14 - RESERVATIONS OF FUND EQUITY

Fund equities that have been reserved at June 30, 2003 consist of the following reserve for encumbrances:

	General Fund	Special Revenue Funds
Purchase orders outstanding	\$16,291	\$11,752
SBDM carryover	<u>35,921</u>	<u>-</u>
	<u>\$52,212</u>	<u>\$11,752</u>

HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2003

NOTE 15 - TRANSFER OF FUNDS

The following operating transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special Revenue	SFCC offer match	\$ 5,704
General	Special Revenue	Community Education match	2,360
General	Special Revenue	Community Education transfer	5,656
General	Special Revenue	Ag Achievers match	5,500
Capital Outlay	Debt Service	Debt Service	71,300
Building	Debt Service	Debt Service	248,567

NOTE 16 - DEFICIT OPERATING/FUND BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following fund has operations that resulted in a current year deficit of revenues/transfers in over expenditures/transfers out resulting in a corresponding reduction of fund balance:

Building Fund	<u>\$52,314</u>
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NOTE 17 - SPECIAL REVENUE FUNDS

The Hickman County School District is the fiscal agent of the Twenty-First Century Community Learning Centers grant that is received directly from the U.S. Department of Education. A portion of this grant will be passed-through to four other school districts. The District accounts for this grant in a separate fund and, additionally, includes the District's share of the grant in a separate project in Fund 2. When combining these two funds for reporting purposes, \$73,315 was eliminated from both Intergovernmental-Direct Federal Revenues and Instruction Expenditures.

NOTE 18 - ON-BEHALF PAYMENTS

The Commonwealth of Kentucky makes certain payments for teacher retirement system contributions, life and health insurance coverages, and vocational education costs for the benefit of the District and its employees. The total of these payments, \$689,187, has been included in revenues and the applicable expenditure functions in these financial statements.

NOTE 19 - CHANGES IN ACCOUNTING STANDARDS

In June 1999, the Governmental Accounting Standards Board issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This Statement establishes new financial reporting requirements for state and local governments throughout the United States. It will create new information and will restructure much of the information that governments have presented in the past. It establishes that the basic financial statements and required supplementary information for the general purpose governments should consist of:

- Management's discussion and analysis (MD&A)
- Basic financial statement
 - Government-wide financial statements
 - Fund financial statements
- Notes to the financial statements
- Required supplementary information (RSI)

HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2003

NOTE 19 - CHANGES IN ACCOUNTING STANDARDS (CONTINUED)

GASB Statement No. 34 is effective in three phases based on total annual revenues of the primary government's governmental and proprietary funds reported for the fiscal year ended June 30, 1999. GASB Statement No. 34 is effective for the District for the fiscal year beginning July 1, 2003. The effect GASB Statement No. 34 has on the District has not yet been determined.

SUPPLEMENTARY INFORMATION

**HICKMAN COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
JUNE 30, 2003**

	<u>BUILDING FUND</u>	<u>SEEK CAPITAL OUTLAY FUND</u>	<u>CONSTRUCTION FUND</u>	<u>TOTALS CAPITAL PROJECTS FUNDS</u>
ASSETS AND RESOURCES				
Cash and cash equivalents	<u>\$3,451</u>	<u>\$970</u>	<u>\$102,854</u>	<u>\$107,275</u>
TOTAL ASSETS AND RESOURCES	<u>\$3,451</u>	<u>\$970</u>	<u>\$102,854</u>	<u>\$107,275</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,650</u>	<u>\$ 2,650</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>2,650</u>	<u>2,650</u>
Fund Balances				
Reserved for future construction	-	394	1,685	2,079
Unreserved	<u>3,451</u>	<u>576</u>	<u>98,519</u>	<u>102,546</u>
Total Fund Balances	<u>3,451</u>	<u>970</u>	<u>100,204</u>	<u>104,625</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$3,451</u>	<u>\$970</u>	<u>\$102,854</u>	<u>\$107,275</u>

HICKMAN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2003

	<u>BUILDING FUND</u>	<u>SEEK CAPITAL OUTLAY FUND</u>	<u>CONSTRUCTION FUND</u>	<u>TOTALS</u>
REVENUES				
From local sources				
Taxes				
Property	\$ 76,997	\$ -	\$ -	\$ 76,997
Motor vehicle	20,651			20,651
Earnings on investments	406	6	88	500
Intergovernmental - State	<u>98,199</u>	<u>71,870</u>		<u>170,069</u>
Total Revenues	<u>196,253</u>	<u>71,876</u>	<u>88</u>	<u>268,217</u>
EXPENDITURES				
Current				
Facilities acquisition and construction	<u> </u>	<u> </u>	<u>335,569</u>	<u>335,569</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>335,569</u>	<u>335,569</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>196,253</u>	<u>71,876</u>	<u>(335,481)</u>	<u>(67,352)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(248,567)	(71,300)		(319,867)
Proceeds from bond sale			455,000	455,000
Bond sale expense	<u> </u>	<u> </u>	<u>(21,000)</u>	<u>(21,000)</u>
Total Other Financing Sources (Uses)	<u>(248,567)</u>	<u>(71,300)</u>	<u>434,000</u>	<u>114,133</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(52,314)	576	98,519	46,781
Fund Balance July 1, 2002	<u>55,765</u>	<u>394</u>	<u>1,685</u>	<u>57,844</u>
Fund Balance June 30, 2003	<u>\$ 3,451</u>	<u>\$ 970</u>	<u>\$100,204</u>	<u>\$104,625</u>

HICKMAN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2003

	JUNE 1994 BONDS FUND	SEPTEMBER 1994 BONDS FUND	1996 BONDS FUND	1997 BONDS FUND	1998 BONDS FUND	2003 BONDS FUND	2003 QZAB FUND	TOTALS
REVENUES								
Intergovernmental - State	\$ 15,269	\$ 11,513	\$ 12,874	\$ 23,321	\$ 82,526	\$ -	\$ -	\$ 145,503
Total Revenues	<u>15,269</u>	<u>11,513</u>	<u>12,874</u>	<u>23,321</u>	<u>82,526</u>	<u>-</u>	<u>-</u>	<u>145,503</u>
OTHER FINANCING SOURCES (USES)								
Operating transfers in								
SEEK Capital Outlay Fund				68,878	2,422			71,300
Building Fund	<u>22,291</u>	<u>-</u>	<u>-</u>	<u>121,359</u>	<u>4,917</u>	<u>-</u>	<u>100,000</u>	<u>248,567</u>
Total Operating Transfers In	22,291	-	-	190,237	7,339	-	100,000	319,867
Payment of bond principal	(20,000)	(5,000)	(5,000)	(100,000)	(60,000)			(190,000)
Payment of bond interest	(17,560)	(6,513)	(7,874)	(113,558)	(29,865)			(175,370)
Proceeds from refunding bonds						425,000		425,000
Payment to bond escrow agent						(413,306)		(413,306)
Refunding bond discount	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,694)</u>	<u>-</u>	<u>(11,694)</u>
Total Other Financing Sources (Uses)	<u>(15,269)</u>	<u>(11,513)</u>	<u>(12,874)</u>	<u>(23,321)</u>	<u>(82,526)</u>	<u>-</u>	<u>100,000</u>	<u>(45,503)</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	-	-	-	-	-	100,000	100,000
Fund Balance July 1, 2002	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance June 30, 2003	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$100,000</u>	<u>\$ 100,000</u>

HICKMAN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND FUND BALANCES
EXPENDABLE TRUST FUNDS
YEAR ENDED JUNE 30, 2003

<u>Fund</u>	<u>Fund Balance July 1, 2002</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance June 30, 2003</u>
Activity Funds				
Hickman County High School:				
Academic Club	\$ 29	\$ 1,630	\$ 1,477	\$ 182
Athletic	3,546	77,901	73,191	8,256
Beta Club	109	562	576	95
Cheerleaders	265	12,124	11,780	609
Community Education	1,028	780	957	851
Concessions and Snacks	698	11,885	12,243	340
Contingency	1,037	-	1,037	-
Drama Club	986	615	379	1,222
FBLA	150	5,903	5,754	299
FCA	247	425	445	227
FCCLA	1,609	8,690	8,963	1,336
FCS (Home Ec)	2,470	11,167	12,415	1,222
FFA	4,035	19,271	16,556	6,750
Flower Fund	60	255	153	162
Foreign Language	34	1,005	1,017	22
General	4,856	37,597	36,408	6,045
H-Club	825	259	609	475
History Club	3	-	-	3
Journalism	4,043	12,943	2,715	14,271
Junior High Academic	116	495	277	334
Junior Beta	205	743	750	198
Junior Class	1,118	7,044	6,704	1,458
Library Printed	64	809	733	140
Math Club	3	1,448	1,316	135
Music	106	-	106	-
Project Graduation	2,225	18,062	17,986	2,301
Scholarship - FFA	500	-	-	500
Scholarship - HCHS Outstanding	3,250	2,000	750	4,500
Science Club - High School	632	-	24	608
Science Club - Junior High	275	235	359	151
Senior Class	475	599	544	530
Special Education	165	-	-	165
Student Council	755	3,570	3,833	492
Scholarship - Binford	2,000	-	2,000	-
Reality Store	-	105	-	105
Future Educators of America	-	85	45	40

HICKMAN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND FUND BALANCES
EXPENDABLE TRUST FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2003

<u>Fund</u>	<u>Fund Balance July 1, 2002</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance June 30, 2003</u>
Hickman County High School				
(Continued):				
Textbook	\$ 4,493	\$ 3,495	\$ 4,171	\$ 3,817
Uniforms	140	551	-	691
	<u>42,552</u>	<u>242,253</u>	<u>226,273</u>	<u>58,532</u>
Less: Inter-Fund Transfers	<u>-</u>	<u>2,700</u>	<u>2,700</u>	<u>-</u>
Total Hickman County High School	42,552	239,553	223,573	58,532
Elementary School	<u>20,951</u>	<u>29,250</u>	<u>29,570</u>	<u>20,631</u>
TOTALS	<u>\$63,503</u>	<u>\$268,803</u>	<u>\$253,143</u>	<u>\$79,163</u>

HICKMAN COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003

Federal Grantor/ Pass-Through Grantor/CFDA Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed Through State Department of Education:				
E.S.E.A. Title I	84.010	220-4500-3102	\$ 173,289	\$ 19,195
E.S.E.A. Title I	84.010	220-4500-3103	199,111	186,315
E.S.E.A. Title I - Migrant	84.011A	220-4500-3313	25,920	23,849
E.C.I.A. Title VI	84.298A	220-4500-3312	6,074	511
Title V Innovative Programs	84.298	220-4500-3343	5,207	5,207
I.D.E.A., Part B	84.027	220-4500-3372	110,269	15,307
I.D.E.A., Part B	84.027A	220-4500-3373	126,007	111,710
I.D.E.A., Part B - Preschool	84.173	220-4500-3432	19,861	599
I.D.E.A., Part B - Preschool	84.173	220-4500-3433	19,747	14,023
Rural Education Achievement Program	84.358B	220-4500-3503	15,997	14,493
Tech Literacy Challenge	84.318	220-4500-3851	9,912	638
Title VI-Class Size Reduction Program	84.340	220-4500-3882	36,778	243
Title II, Part A	84.367A	220-4500-4013	56,203	53,555
E.S.E.A. Title II Eisenhower	84.281	220-4500-4042	5,998	4,043
E.S.E.A. Title IV	84.186A	220-4500-4062	5,354	2,532
E.S.E.A. Title IV	84.186	220-4500-4063	6,249	6,249
Title II, Part D	84.318	220-4500-4253	5,640	5,566
Passed Through West Kentucky Educational Cooperative:				
Vocational Education:				
Carry-Over Funds	84.048	220-4500-3481A	174	174
Carry-Over Funds	84.048	220-4500-3481B	207	207
Title IIC	84.048	220-4500-3482	7,368	990
Title IIC	84.048	220-4500-3483	7,187	6,440
Passed Through Murray State University:				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	220-4500-3793	14,528	11,539
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	220-4500-3792	10,328	2,476
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	220-4500-3791	6,500	(422)
Passed Through State Workforce Cabinet:				
Tech Prep	84.243	220-4500-3632	9,035	(251)
Tech Prep	84.243	220-4500-3633	12,950	12,134
Direct:				
Twenty-First Century Community Learning Centers	84.287*	610-4300-4092	936,542	196,323
Twenty-First Century Community Learning Centers	84.287*	610-4300-4093	824,079	483,757
Total U.S. Department of Education			<u>2,692,935</u>	<u>1,177,402</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Passed Through State Department of Agriculture:				
Non-Cash Assistance - Commodities	10.565	510-4500C	17,999	17,999
Passed Through State Department of Education:				
School Breakfast Program	10.553*	510-4500	52,944	52,944
National School Lunch Program	10.555*	510-4500	140,505	140,505
Total U.S. Department of Agriculture			<u>211,448</u>	<u>211,448</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN RESOURCES</u>				
Passed Through Murray Board of Education:				
Head Start Summer School	93.600	220-4700-6552A	1,000	222
Total U.S. Department of Health and Human Resources			<u>1,000</u>	<u>222</u>
<u>U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
Passed Through State Department of Education:				
Community Education Service Learning Grant	94.004	220-4500-6752	10,000	7,797
Total U.S. Corporation for National and Community Service			<u>10,000</u>	<u>7,797</u>
TOTAL FEDERAL AWARDS			<u>\$2,915,383</u>	<u>\$1,396,869</u>

*Major program as defined by OMB Circular A-133

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the cash activity of the District's federal award programs and does not present transactions that would be included in financial statements of the District presented on the accrual basis of accounting, as contemplated by generally accepted accounting principles.

NOTE 2 - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

ADDITIONAL INDEPENDENT AUDITORS' REPORTS

**REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for School District Audits
Members of the Hickman County Board of Education
Clinton, Kentucky

We have audited the general purpose financial statements of Hickman County School District as of and for the year ended June 30, 2003, and have issued our report thereon dated August 8, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Hickman County School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract-State Audit Requirements*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hickman County School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

August 8, 2003

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Kentucky State Committee for School District Audits
Members of the Hickman County Board of Education
Clinton, Kentucky

Compliance

We have audited the compliance of Hickman County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. Hickman County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Hickman County School District's management. Our responsibility is to express an opinion on Hickman County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hickman County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Hickman County School District's compliance with those requirements.

In our opinion, Hickman County School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Hickman County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Hickman County School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

August 8, 2003

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HICKMAN COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses a qualified opinion on the general purpose financial statements of Hickman County School District.
2. No reportable conditions relating to internal control were disclosed during the audit of the District's financial statements.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award program are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133".
5. The auditors' report on compliance for the major federal award program for the District expresses an unqualified opinion on the major federal program.
6. The audit disclosed no findings relative to the major federal award program for the District which are required to be reported in this schedule.
7. The programs tested as major programs included: Twenty-First Century Community Learning Centers (CFDA #84.287) and Child Nutrition Cluster (CFDA #10.553 and 10.555).
8. The threshold for distinguishing Type A and Type B programs was \$300,000.
9. The District did not qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

None

FINDINGS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**HICKMAN COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2003**

REPORTABLE CONDITIONS

NONE

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM

NONE

MANAGEMENT POINTS

NONE